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CHAIRMAN JIM SAXTON

PRESS RELEASE

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Contact: Christopher Frenze
Executive Director
(202) 224-5171

CURRENT FED POLICY IS CONSISTENT WITH BENIGN INFLATION OUTLOOK

WASHINGTON, D.C. – The current stance of Federal Reserve monetary policy is appropriate given the lack of significant inflationary pressures, Joint Economic Committee (JEC) Chairman Jim Saxton said today. Saxton based his comments on a recent JEC appraisal of the economy, *Current Economic Conditions and Outlook*, which reviews leading indicators of inflation and the outstanding risks to the economic recovery.

“The forward-looking market price indicators show that there is no significant inflation in the pipeline to justify a tightening of monetary policy at this time,” Saxton said. “Moreover, as Chairman Greenspan noted before the JEC several weeks ago, there are a number of uncertainties and risks in the current economic outlook. The weakness in business profits and investment, and in the international economy, does raise questions about the strength of the current economic rebound. Much more information would be needed to substantiate a future change in monetary policy.

“Recent small increases in commodity prices and long-term interest rates, as well as declines in the foreign exchange value of the dollar, must be seen in the context of a longer term and more significant disinflationary trend in these same data. The Fed has been wise to reserve judgment about changes in monetary policy until the expansion is on a sounder footing.

“While there has been improvement in manufacturing sector output, continued strength in housing, and gains in overall consumption, the fact remains that the recovery is still frail and vulnerable to possible setbacks. So long as these economic conditions persist, the current Fed monetary policy stance should be maintained,” Saxton concluded.

For more information on monetary policy and U.S. economic conditions, please visit the JEC website at www.house.gov/jec

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